



THE Æ OMNIGLOSSARY

JANUARY 12, 2005

Preamble: The OmniGlossary, which legally defines the terms set forth in the Quartet, is the fourth of four legally-binding documents contained in the Quartet. The first is the AE Rules; the second is The AE Clearinghouse Terms, Conditions, and Procedures; the third is the Rules of Products and Electronic Services, hereinafter referred to as the RoPES.

The Actuarials Exchange and The AE Clearinghouse reserve the right to make any necessary changes to any document in the Quartet. Notices of these changes shall be published and distributed to Member Firms for review in a numbered and dated official AE Circular.

The dates of the latest amendments shall be listed at the end of the amended paragraph and shall refer to a numbered and dated official AE Circular. Last Amended AE Circular 005, Dec 22, 2004

The following terms in the Quartet of legally-binding documents, namely the AE Rules, the Terms, Conditions, and Procedures of The AE Clearinghouse, the Rules of Products and Electronic Services (RoPES), and the OmniGlossary, shall have the following meanings:

The Actuarials Exchange, or AE

The Actuarials Exchange, LLC, an Illinois limited liability company, founded in January 2000; an exempt board of trade acknowledged by the CFTC on January 23, 2004; the owner of The AE Clearinghouse.

Last Amended AE Circular 005, Dec 22, 2004

AE Calendar

A record of the days of the week that The Actuarials Exchange is scheduled to be open for trading, and The AE Clearinghouse is scheduled to offer clearing services.

AE Circular

A written announcement from The Actuarials Exchange or The AE Clearinghouse to all Member Firms regarding important matters, such as current collaterals, margins, fees, fines, or Concentration Risk “exposure thresholds,” and proposed amendments to the Quartet of legally-binding documents.

The AE Clearinghouse

A wholly-owned subsidiary of The Actuarials Exchange, LLC, responsible for settling and clearing trades, collecting and maintaining initial and variation margins, and regulating delivery for obligations of the AE Risk Pool.

Last Amended AE Circular 005, Dec 22, 2004

AE Clearinghouse Bank Account

One of a group of custodial physical bank accounts at The AE Clearinghouse payment bank, which holds funds on behalf of the Member Firms at The Actuarials Exchange:

- Clearinghouse Concentration Bank Account
- Withdrawal Holding Bank Account
- AE Fees and Fines Bank Account
- General Clearing Fund Bank Account
- Distressed Member Firm Bank Account
- Keepsafe Bank Account

Money transfers between physical bank accounts are facilitated by the Fedwire system.

AE Clearinghouse Terms, Conditions, and Procedures

The imperative courses of action set forth by The AE Clearinghouse that govern the conduct of all Trading Accounts clearing through Member Firms. The AE Clearinghouse Terms, Conditions, and Procedures is the second part of the Quartet of legally-binding documents. Also referred to as simply the Terms, Conditions, and Procedures.

AE Fees and Fines Bank Account

A single bank account at The AE Clearinghouse payment bank that collects in a timely manner all fees and fines collected from Member Firms by The Actuarials Exchange, which are held separately from the fees and fines collected by The AE Clearinghouse. Last Amended AE Circular 005, Dec 22, 2004

AE Risk Pool

The aggregated assets and liabilities of Trading Accounts under the domain of Member Firms, held in custody at various physical bank accounts at The AE Clearinghouse payment bank, that are used to satisfy Contract marketplace obligations of The Actuarials Exchange.

AE Rules

The document codifying the legally-binding relationship of The Actuarials Exchange with the Member Firms. The AE Rules is the first of four documents in the Quartet of legally-binding documents.

AE System

The collection of electronic facilities of The Actuarials Exchange and The AE Clearinghouse that may be accessed by Authorized Traders and Authorized Support Persons of a Member Firm, on behalf of Trading Accounts.

affiliate

Any person directly or indirectly controlling, controlled by, or under direct or indirect common control with, another person. For the purposes of this definition, a person shall be deemed to control another person if he/she possesses, directly or indirectly, the power to direct, or to cause the direction of, the management and policies of such another Person, whether through ownership of voting securities, by Contract, or otherwise. Last Amended AE Circular 005, Dec 22, 2004

all-or-none

A type of order whose numbered lots must be filled all at once, or not at all. Currently, on The Actuarials Exchange, only Off-Market Block Orders are eligible all-or-none orders. Last Amended AE Circular 005, Dec 22, 2004

application program interface (API)

A specific technology that allows one application program to make requests of another application program. The API of The Actuarials Exchange allows trading participants to “program trade” by electronically submitting orders without using the Graphical User Interface (GUI) of the AE trading client.

Applicant

Any qualified eligible contract participant applying to become a Member Firm of both The Actuarials Exchange and The AE Clearinghouse.

application

A petition to become a Member Firm of The Actuarials Exchange and of The AE Clearinghouse. All forms and agreements required for Member Firm status are contained in the Member Firm Signature Forms.

arbitration

A process for settling disputes between parties that is less structured than court proceedings. The Commercial Arbitration Program at the American Arbitration Association will be used as an appellate forum for resolving disputes between Member Firms at The Actuarials Exchange, or between Member Firms at The AE Clearinghouse.

Arranger

The financial institution providing a Default Protection Facility to Member Firms, as approved by The AE Clearinghouse.

Ask

1. An order to sell one or more lots of a Contract at The Actuarials Exchange, either at the prevailing market price, or, at a specified limit price or higher.
2. The posted price of a limit price sell order.

at-the-mark

The status of Contract positions, margins, pre-reserves, and realized and unrealized profits and losses for each Trading Account, as of the time-stamp of exchange prices, called the mark.

at-the-closing market order

A buy or sell order of a Contract, to be filled at the best limit price provided by the other side, when the order is received by The Actuarials Exchange, during the next closing session of the market. If there is no limit price provided by the other side at the time of the release, the order is immediately rejected from further matching consideration. Also called “a market order at the closing.” Last Amended AE Circular 005, Dec 22, 2004

at-the-now market order

A buy or sell order of a Contract to be filled at the best limit price provided by the other side, when the order is received and then released by The Actuarials Exchange. If there is no limit price at the time of release provided by the other side, the order is immediately rejected from further consideration from further matching consideration. Identical to a conventional market order. Last Amended AE Circular 005, Dec 22, 2004

at-the-opening market order

A buy or sell order of a Contract to be filled at the best limit price provided by the other side, when the order is received and then released by The Actuarials Exchange, during the next opening session of the market. If there is no limit price at the time of release provided by the other side, the order is immediately rejected from further matching consideration. Also called a “market order at the opening.” Last Amended AE Circular 005, Dec 22, 2004

Authorized Compliance Officer

The compliance officer of The Actuarials Exchange and The AE Clearinghouse, charged with duties of oversight of Member Firm and Trading Account activity for a particular business day.

Authorized Support Persons

Employees or agents of a Member Firm who are authorized as natural persons to support trading activities at the Member Firm, and who communicate with The Actuarials Exchange or The AE Clearinghouse. Authorized Support Persons includes all Member Firm employees or agents, in operations, compliance, or other, non-trading parts of the business, as identified by the Designated Representative of the Member Firm. Authorized Support Persons must complete a form that facilitates conditional access to exchange and clearinghouse facilities. Authorized Support Persons are ineligible to be Authorized Traders. Last Amended AE Circular 005, Dec 22, 2004

Authorized Traders

Employees or agents of a Member Firm who are authorized as natural persons to place orders and execute trades for the Member Firm at The Actuarials Exchange that are cleared at The AE Clearinghouse. Authorized Traders must complete a form that allows conditional access to exchange facilities. Authorized Traders are ineligible to be Authorized Support Persons. Last Amended AE Circular 005, Dec 22, 2004

automatic recourse procedure

A series of actions taken by The AE Clearinghouse after a Member Firm has failed to satisfy funding requirements within one hour of a margin call. The automatic recourse procedure is comprised of four phases: Late Payment, Failed Obligation, Default, and Litigate. Commonly referred to as “the Recourse.” Last Amended AE Circular 005, Dec 22, 2004

Available Balance

A real-time calculation of the Total Account Balance of a Trading Account that is not yet encumbered by pre-reserved margins and fees for pending orders, margins and fees for open positions, realized losses from closed positions, or, considered to be unrealized profits from open positions, or, considered to be the minimum account balance. A positive Available Balance is considered “free cash” that can fund new trades, or furnish new withdrawal requests. Last Amended AE Circular 005, Dec 22, 2004

Available Balance shortfall

A real-time calculation of the difference between: the average cost basis of every open position for a Trading Account in a Contract, and: the price of the last trade before the mark, *without* providing a credit for unrealized profits, or for owed fees and fines not yet paid to The Actuarials Exchange or The AE Clearinghouse. A difference of below 0 sets off an Insufficient Funds trigger.

average cost basis

The average price of a long or short open position of a Trading Account at The Actuarials Exchange. The Electronic Tracker of The Actuarials Exchange subtracts the average cost basis of an open position from the current price of a Contract to calculate an unrealized profit or loss, in real time and then transmits these figures, to the Member Firms in a Mark-to-Market Report.

“bad” mark

Any mark upon which all funding requirements have NOT been fully satisfied by all Member Firms. The Failed Obligation “bad” mark serves as the basis for determining the price settlement for settling Force-Liquidated or Force-Settled positions. Last Amended AE Circular 005, Dec 22, 2004

bankrupt

With respect to a Person or entity:

- (i) the entry of a decree or order by a court or regulator of competent jurisdiction:
 - (1) adjudging such Person as bankrupt or insolvent,
 - (2) approving as properly filed a petition seeking reorganization, arrangement, liquidation, dissolution, adjustment or composition of or in respect of such Person under the U.S. Bankruptcy Code or any other applicable federal or state law, including any bankruptcy, insolvency, reorganization, liquidation, dissolution, or similar law,
 - (3) appointing a receiver, custodian, liquidator, assignee, trustee, sequestrator (or other similar official) for such Person or for any substantial part of its property,
 - (4) ordering the winding up or liquidation of its affairs, or
 - (5) consenting to the institution by such Person of proceedings to be adjudicated as bankrupt or insolvent;
- (ii) the voluntary action of a Person, including:
 - (1) the filing by such Person of a petition, or any case or proceeding, seeking reorganization or relief under the U.S. Bankruptcy Code or any other applicable federal or state law, including any bankruptcy, insolvency, reorganization, liquidation, dissolution, or similar law,
 - (2) the consent by such Person to the filing of any such petition, case or proceeding or to the appointment of a receiver, custodian, liquidator, assignee, trustee, sequestrator or other similar official for such Person or for any substantial part of its property,
 - (3) the filing against such Person of a petition, or any case or proceeding, seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or the presentation of a petition for its winding-up or liquidation, and such proceeding or petition: (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation, or; (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof,
 - (4) the making by such Person of an assignment for the benefit of its creditors,
 - (5) such Person's becoming insolvent or the failure of such Person to pay, or the admission by such Person in writing of its inability to pay, its debts generally as they become due,
 - (6) a secured party's taking possession of all or substantially all of such Person's assets or the levying, enforcement or suit of a distress, execution, attachment, sequestration, or other legal process against all or substantially all of such Person's assets with such secured party maintaining possession, or the failure to have such process dismissed, discharged, stayed or restrained, in each case within 30 days thereafter, or
 - (7) the taking of corporate action, including, but not limited to, the passing of a resolution for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger), by such Person in furtherance of any such action; or
- (iii) the Person is determined to be insolvent by any regulatory authority with jurisdiction over such Person, or by any self-regulatory organization of which such Person is a member.

Begin Business Hours

The opening of access of the AE System to Authorized Traders and Authorized Support Person. Business hours begin before Start Trading Day, and end business hours after Finish Trading Day. Last Amended AE Circular 005, Dec 22, 2004

best ask

The best available order to sell a specific quantity of lots of a Contract, as ranked by lowest limit price, and within the set of orders having the best price, the order with the earliest time-stamp, as received by the exchange.

best bid

The best available order to buy a specific quantity of lots of a Contract, as ranked by highest limit price, and within the set of orders having the best price, the order with the earliest time-stamp, as received by the exchange.

bid

1. An order to buy one or more lots of a Contract at The Actuarials Exchange, either at the prevailing market price, or, at a specified limit price or lower.
2. The posted price of a limit price buy order.

board of trade

A trading facility for the trading of commodities, futures, or other derivatives. Broadly speaking, in the United States, a board of trade may be either: 1) a Designated Contract Market, serving retail and institutional customers with a wide array of financial instruments, including securities futures; or, 2) a Derivatives Trading Execution Facility, restricted to serving eligible contract participants with a wide array of financial instruments, including securities futures; or, 3) an exempt board of trade, restricted to serving eligible contract participants with trades in eligible excluded commodities, like interest rates, foreign exchange rates, or index rates, that are NOT securities futures. The Actuarials Exchange is acknowledged by the CFTC to be an exempt board of trade.

business day

For The Actuarials Exchange and The AE Clearinghouse, any weekday in the United States that Fedwire is available, which excludes weekday holidays observed by the Federal Reserve Banks of the United States, namely, New Year's Day, Martin Luther King Day, President's Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veteran's Day, Thanksgiving Day, and Christmas Day.

busting

The act by two Trading Accounts, either within a Member Firm, or between two Member Firms, to reverse the terms of a transaction that has already been matched but not yet cleared, due to a mutual recognition and mutual sharing of error in execution, and as accepted by the Chief Compliance Officer. A trade is busted by entering the identical terms of the error transaction, reversing each side, for each On-Exchange trade facilitated by The Actuarials Exchange, or for each Off-Exchange trade submitted to The AE Clearinghouse.

buyer

A trading participant taking a long position in a Contract or combination of Contracts on the exchange.

cancel

An action whereby an Authorized Trader or Authorized Support Person specifies an order on the exchange, and cancels any unfilled lots of that order.

cash settlement

A method of settling certain derivatives or options Contracts with the cash value of the underlying Contract, rather than with the physical delivery of the underlying asset.

CEA, or The Act

The Commodity Exchange Act, 7 U.S.C. § 1, et seq., as amended, that provides for the federal regulation of commodity futures and options trading, and which is modified in part by the Commodity Futures Modernization Act of 2000. Last Amended AE Circular 005, Dec 22, 2004

claim

A submission by a Member Firm to gain recognition and compensation for a wrongful action, arbitrated according to The AE Clearinghouse Terms, Conditions, and Procedures.

clearing

The procedure by which The AE Clearinghouse provides for the settlement and netting of multilateral obligations resulting from trades at The Actuarials Exchange.

clearing fee

A fee that may be charged by The AE Clearinghouse for each Contract cleared for a Member Firm, that is held separately from fees charged by The Actuarials Exchange, and is deposited in the General Clearing Fund Bank Account. Amended AE Circular 005, Dec 22, 2004

Clearing Member

A Member Firm of The Actuarials Exchange, who is automatically a Member Firm of The AE Clearinghouse.

clearinghouse

A Derivatives Clearing Organization (DCO) duly designated, recognized, and regulated by the CFTC, to provide clearing services. The AE Clearinghouse, a wholly-owned subsidiary of The Actuarials Exchange, shall receive and maintain its designation as a DCO with the CFTC. The AE Clearinghouse novates trades, controls the Custodial Bank Accounts on behalf of Member Firms, calls for and collects collaterals, margins, fees, and fines, and settles the realized profits and losses of closed positions.

Clearinghouse Concentration Bank Account

The physical bank account at The AE Clearinghouse payment bank that receives margin payments and voluntary deposits from, and pays withdrawals to, Member Firm payment banks.

close

To flatten a long or short open position, either via an offsetting trade, expiration of the Contract, Force-Net, Force-Liquidation, or Force-Settlement.

closed lots

Lots that have been offset via a trade, expiration, Force-Net, Force-Liquidation, or Force-Settlement.

closed position

An open position whose total number of lots have been exactly offset via a trade, expiration, Force-Net, Force-Liquidation, or Force-Settlement.

closing price

For each Contract, the price of the last trade taking place during the closing session, or, if no trade has taken place during the closing session, the most recent trade price before the closing session. The closing price is used as a settlement basis for non-expiring Contracts.

closing range

The continuum between the highest and lowest prices of all trades taking place during the closing session.

collateral

Any funds pledged as performance bond by Member Firms to cover any exposures undertaken by their Trading Accounts.

commingle

To combine funds from physical bank accounts or ledger accounts. Member Firms are not allowed to commingle voluntary deposits or withdrawals into lump sums. The AE Clearinghouse, however, can commingle the funding requirements of multiple Trading Accounts into one margin call.

commodity

A commodity, as defined in the Commodity Exchange Act, includes any agricultural commodity enumerated in Section 1a(4) of the Commodity Exchange Act and any other goods and articles, except onions (as provided in Public Law 85-839 (7 U.S.C. § 13-1), and all services, rights, and interests in which Contracts for future delivery are traded.

Commodity Exchange Act, or CEA

The Commodity Exchange Act, 7 U.S.C. § 1, et seq., as amended, that provides for the federal regulation of commodity futures and options trading, and which is modified in part by the Commodity Futures Modernization Act of 2000. Also referred to as the CEA, or The Act.

Commodity Futures Modernization Act of 2000, or CFMA

The Commodity Futures Modernization Act of 2000, Pub. L. No. 106-554, 114 Stat. 2763, reauthorized the CFTC for five years and overhauled the Commodity Exchange Act to create a flexible structure for the regulation of futures and options trading. The CFMA created exempt boards of trades and required that Derivatives Clearing Organizations clear trades for exempt boards of trade.

Commodity Futures Trading Commission, or CFTC

A federal government agency which has “exclusive jurisdiction over any account, agreement, contract, or transaction, involving a Contract of sale of a commodity for future delivery, or option on such a Contract or commodity, to the extent that the account, agreement, contract, or transaction is traded on an exempt board of trade” like The Actuarials Exchange, and which further regulates all Derivatives Clearing Organizations, including The AE Clearinghouse.

Complaint

A notification of actions that may constitute a violation of the Quartet of legally-binding documents brought by or against a Member Firm, The Actuarials Exchange, or The AE Clearinghouse.

Concentration Risk

A measurement of net open interest of a Trading Account or a Member Firm indicating that an acceptable threshold of exposure to The AE Clearinghouse has been exceeded. The parameters defining Concentration Risk are published from time to time in a numbered and dated official AE Circular. When a Trading Account or Member Firm reaches this state, a **Concentration Risk Firm trigger** is activated, a **Concentration Risk triggered event** is observed, and a **Concentration Risk Margin Notice** containing either a **Concentration Risk Margin Call** or a Good-Standing notice is issued to the **Concentration Risk Member Firm**. The terms of Concentration Risk are published in the AE Circular.

confirmation

A formal verification of an exchange transaction that is transmitted to Member Firms via computer messaging, e-mail, FTP, or fax.

Contract

A unique specification of a financial instrument, whose lots may be bought and sold by Trading Accounts of Member Firms at The Actuarials Exchange, then cleared through The AE Clearinghouse.

Contract marketplace

At the Actuarials Exchange and AE Clearinghouse, a separate, self-contained risk pool of segregated open interest, for the same delivery specification of a unique product specification of a financial instrument.

Last Amended AE Circular 005, Dec 22, 2004

Contract marketplace risk pool segregation

At the Actuarials Exchange and AE Clearinghouse, a separate, self-contained risk pool of segregated open interest, for the same delivery specification of a unique product specification of a financial instrument. For any set of Contract marketspaces experiencing a shortfall due to the Failed Obligation of a Member Firm, The AE Clearinghouse guarantees to pay *as much of the realized and unrealized profits as possible* to Member Firms in Good-Standing, but only to the extent that funds are available from the following: 1) the total risk capital of the Failed Obligation Member Firm, 2) the Default Protection Facility of the Failed Obligation Member Firm, and 3) any assets of The AE Clearinghouse held at the General Clearing Fund Bank Account, according to the automatic recourse procedure. For any set of Contract marketspaces *not* experiencing such a shortfall, The AE Clearinghouse guarantees *all* the realized and unrealized profits to Member Firms in Good-Standing, and guarantees that such realized or unrealized profits will *not* be affected by any shortfall in other Contract marketspaces.

Last Amended AE Circular 005, Dec 22, 2004

convert

The act of transforming one kind of financial instrument into another kind of financial instrument.

corner

To monopolize the supply of a traded security or commodity. The Actuarials Exchange is an exempt board of trade that facilitates trading in commodities with a virtually inexhaustible supply, called eligible excluded commodities, which are almost impossible to monopolize or corner.

counterparty

A Trading Account engaging in one side of a market transaction.

credit rating

The opinion of a nationally-recognized ratings agency as to the creditworthiness of a named institution.

Custodial Bank Account

An AE Clearinghouse payment bank account that holds funds on behalf of the AE Risk Pool. Custodial Bank Accounts include the Clearinghouse Concentration Bank Account, the Withdrawal Holding Bank Account, the General Clearing Fund Bank Account, Distressed Member Firm Bank Accounts as necessary, and Keepsafe Bank Accounts, as necessary. Also referred to as a AE Clearinghouse payment bank account, or as a physical bank account.

custom spread

The combination of two limit price orders, one buy and one sell, of identical lot quantities. A custom spread may be a GTC, "good till cancelled," or "good until" a specific lapsed time, after which, if not filled, is automatically cancelled.

Default

The status of a Member Firm that has failed to meet its funding requirements at the end of automatic recourse procedure, causing losses to the General Clearing Fund. When a Member Firm reaches this state, a **Default trigger** is activated, a **Default triggered event** is observed, and a **Default notice** is issued to the **Defaulted Member Firm**.
Last Amended AE Circular 005, Dec 22, 2004

Default Protection Facility

The block sum of all assigned, isolated collaterals and irrevocable letters of credit, kept at the Keepsafe Bank Account, whose total value is guaranteed to exceed the sum of the Total Account Balances of all Trading Accounts of a Member Firm, by a factor determined by the Chief Risk Officer of The AE Clearinghouse. The Default Protection Facility is the second of three levels of capital protection provided to The AE Clearinghouse against Member Firm Default.

Derivatives Clearing Organization, or DCO

A clearing organization that legally may arrange or provide, on a multilateral basis, for the settlement or netting of obligations resulting from traded Contracts. The AE Clearinghouse shall receive and maintain its designation as a Derivatives Clearing Organization registered with the Commodity Futures Trading Commission.

Derivatives Transaction Execution Facility, or DTEF

Trading facilities that limit access to mostly institutional or otherwise eligible traders to trade securities futures or other eligible commodities.

Designated Contract Market, or DCM

Futures or option exchanges that may list Contracts based on a wide array of commodities and which allow access to all types of traders, including retail customers. Designated Contract Markets are most like traditional futures exchanges, and are heavily regulated.

designated office

The physical office where a Member Firm resides and the primary location from which Member Firm business with The Actuarials Exchange and The AE Clearinghouse is conducted.

Designated Representative

An Authorized Support Person and primary representative of a Member Firm, interfacing with The Actuarials Exchange and The AE Clearinghouse during special circumstances, who is authorized to perform actions on behalf of the Member Firm to bring the Member Firm into compliance with the Quartet of legally-binding documents.

discovery

The compulsory disclosure of pertinent facts or documents to the opposing party in an arbitration hearing or other legal action.

Distress

The status of a Member Firm that is disqualified from opening new positions on The Actuarials Exchange because it has 1) declared bankruptcy, 2) communicated its expectation to declare bankruptcy, 3) defaulted on obligations at another exchange or clearinghouse, 4) lost its investment-grade credit rating, 5) become insolvent, 6) lost its status as a qualified eligible contract participant, 7) lost its operational capabilities to continue conducting business, 8) failed to fulfill obligations to third parties, 9) engaged in activities that are deemed unlawful by the Chief Compliance Officer, 10) exhibited other signs of imminent failure, or 11) activated a Late Payment trigger three (3) times in a twelve month period, The AE Clearinghouse considers the Member Firm to be in Distress. When a Member Firm reaches this state, a **Distressed Member Firm trigger** is activated and the Distressed Member Firm is given five (5) business days to close all open positions or transfer them to a Trading Account under the domain of another Member Firm.

Distressed Member Firm Bank Account

A dedicated bank account created, when necessary, to segregate the funds of a Distressed Member Firm or a Failed Payment Member Firm from the Clearinghouse Concentration Bank Account and the rest of the AE Risk Pool.

domain

The Trading Accounts under the authority and control of a Member Firm and for which a Member Firm is responsible.

Electronic Tracker

A capability on The Actuarials Exchange that performs real-time accounting of all pending orders, open and closed positions, and realized and unrealized profits or losses, for Trading Accounts on The Actuarials Exchange. The Electronic Tracker, ledger accounting, and physical bank transfer accounting, of the AE System, are guaranteed to be instantaneously synchronized at every mark.

electronic trading facility

A trading facility that operates by an electronic or telecommunications network instead of a physical trading floor, maintaining an automated audit trail of transactions, as defined by the Commodity Futures Modernization Act of 2000 (CFMA).

eligible excluded commodity

A type of excluded commodity under the Commodity Futures Modernization Act of 2000 that may be traded on an exempt board of trade, by eligible contract participants, if the commodity is not based on a security, and, if the commodity has either:

1. a nearly inexhaustible supply; or
2. a deliverable supply that is sufficiently large, and a cash market sufficiently liquid, to render any Contract traded on the commodity highly unlikely to be susceptible to the threat of manipulation; or
3. no cash market.

Eligible excluded commodities include futures, options, or other derivatives, based on interest rates, foreign exchange rates, loans, deposits, credit events, or enumerated types of indexes.

eligible contract participant, or ECP

An entity or person, such as a financial institution, insurance company, or commodity pool, that is classified by the new Section 1a(12) of the Commodity Exchange Act as an eligible contract participant for trading certain commodities on exempt boards of trade. The AE Rules specify which eligible contract participants are qualified to trade at The Actuarials Exchange, and clear at The AE Clearinghouse.

eligible Off-Exchange trade

An over-the-counter trade that is bilaterally negotiated between any two ECP institutions, recognized by The AE Clearinghouse as an excluded derivatives transaction, whose relevant product and delivery specification is published in the RoPES.

emergency

Any occurrence or circumstance listed below which, in the opinion of the CEO of The Actuarials Exchange or the CEO of The AE Clearinghouse, requires immediate action and may threaten, *inter alia*, the fair and orderly trading in, or the liquidation of, or clearing of, or delivery pursuant to, any Contracts on The Actuarials Exchange. Occurrences and circumstances which the exchange or clearinghouse may deem emergencies include, but are not limited to, the following:

1. Any manipulative activity or attempted manipulative activity;
2. Any actual, attempted, or threatened corner, squeeze, cause congestion, or undue concentration positions;
3. Any circumstances which may materially affect the performance of Contracts traded on the Exchange, including failure of the payment system;
4. Any action taken by the United States or any foreign government or any state or local government body, which may have a direct impact on trading on the Exchange;
5. Any circumstance which may have a severe, adverse effect upon the physical functions of the Exchange including, for example, fire or other casualty; bomb threats; substantial inclement weather; power failures; communications breakdowns; computer system breakdowns; screen-based trading system breakdowns; malfunctions of plumbing, heating, ventilation and air conditioning systems; and transportation breakdowns;
6. The bankruptcy or insolvency of any Member Firm of The Actuarials Exchange or the imposition of any injunction or other restraint by any government agency, court or arbitrator upon a Member Firm of the Exchange which may affect the ability of that Member Firm to perform on its Contracts;
7. Any circumstance in which it appears that a Member Firm has failed to perform on its Contracts, is insolvent, or is in such financial or operational condition or is conducting business in such a manner that such a Member Firm cannot be permitted to continue in business without jeopardizing the safety of the AE Risk Pool; and
8. Any other unusual, unforeseeable and adverse circumstances, including Acts of God, Acts of Terror, or Acts of Government that make it impossible or stressful to trade.

encumbered exposure

The sum of pre-reserves, initial margins, variation margins, and fees, that is monitored in real-time by the Electronic Tracker and reported in a Mark-to-Market Report, at every mark.

End Business Hours

The time of day when the AE System closes, and Authorized Traders and Authorized Support Persons no longer have access to exchange facilities. Business hours begin before Start Trading Day, and end after Finish Trading Day. Between Begin Business Hours and End Business Hours, market participants are allowed to post new, unmatched orders onto the exchange, or to cancel pending orders from the exchange.

exact-to-the-penny

Amounts that are paid that are neither one penny more, nor one penny less, than the amount required.

exchange

A central marketplace, like The Actuarials Exchange, where buyers and sellers meet to trade futures, options, commodities, or other derivatives.

excluded commodity

In the CFMA, a Contract that can be traded on an exempt board of trade by eligible contract participants, including any financial instrument based on 1) an interest rate, exchange rate, currency, credit risk or measure, index or measure of inflation, or other macroeconomic index or measure; or, 2) any other rate, differential, index, or measure of economic or commercial risk, return, or value that is *not* based in substantial part on the value of a narrow group of commodities *not* described above; or, 3) on any economic or commercial index based on prices, rates, values, or levels that are not within the control of any party to the relevant contract, agreement, or transaction; or, 4) an occurrence, extent of an occurrence, or contingency (other than a change in the price, rate, value, or level of a commodity not described above) associated with a financial, commercial, or economic consequence; AND THAT: has either a virtually inexhaustible supply, OR, a deliverable supply that is sufficiently large, and a cash market sufficiently liquid, to render any Contract traded on the commodity highly unlikely to be susceptible to the threat of manipulation, OR, no cash market.

excluded derivatives transaction

In the CFMA, an over-the-counter transaction whose unique contract and delivery specifications are privately negotiated between two eligible contract participants. An excluded derivatives transaction may be submitted to The AE Clearinghouse as an Off-Exchange transaction, for subsequent clearing.

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exempt board of trade

A type of board of trade created by the Commodity Futures Modernization Act of 2000, allowing eligible contract participants, especially very large financial institutions, to trade eligible excluded commodities like interest rates, exchange rates, and other index derivatives, with a minimum of regulatory oversight. The Actuarials Exchange has provided the CFTC with a "Notification of Operation as an Exempt Board of Trade," and the CFTC has acknowledged receipt of that notification.

expiration or expiry

The end of the life of a dated future, forcing all open positions to close out at a settlement price, based on an observed reference price when available, but based on a closing price when an observed reference price is not available.

exposure

The number of open interest lots, or, interchangeably, the amount of money, of a Trading Account or Member Firm that is subject to market movement risk, concentration risk, or various other kinds of credit risk.

Failed Obligation

The status of a Member Firm that has failed to satisfy its funding requirements two hours after receiving a margin call. When a Member Firm reaches this state, a **Failed Obligation trigger** is activated, a **Failed Obligation triggered event** is observed, the **Failed Obligation Member Firm** receives a **Failed Obligation fine**, and a **Failed Obligation Margin Notice** containing a **Failed Obligation Margin Call** is issued to the Failed Obligation Member Firm.

Failed Obligation mark

The special mark taken immediately after a Failed Obligation trigger is activated. The information from the Failed Obligation mark serves as the settlement price for Force-Liquidation and for Force-Settlement.

Fedwire

The United States Federal Funds Service.

Fedwire events

Money wire events that occur between the payment banks of Member Firms and The AE Clearinghouse payment bank. Exactly three types of Fedwire events are permitted: margin payments, voluntary deposits, and withdrawals.

fees

Fixed sums charged by The Actuarials Exchange and The AE Clearinghouse to the Trading Accounts of Member Firms, for various trading, clearing, or other services, as specified in the official AE Circular.

fill

A completed trade.

Fill-and-Kill

An order to buy or sell at a fixed price or better, whose lots are immediately matched against an order on the opposite side, and whose any remaining unfilled lots are immediately cancelled.

filled order

An order that has had all of its open lots matched as a result of one or more trades.

financial instrument

Any risk vehicle, like a future, swap, option, or other derivative, whose value is not based on the referred price of an agricultural commodity or a natural resource.

fines

Monetary penalties to be paid by Member Firms to The Actuarials Exchange or The AE Clearinghouse, for infractions of the terms of the Quartet of legally-binding documents, as specified in the official AE Circular.

Finish Trading Day

The time of day when The Actuarials Exchange finishes matching orders. The Trading Day starts after Begin Business Day, and finishes before End Business Day.

first lien

The recognized legal right of The AE Clearinghouse to seize any of the available assets of a Member Firm to pay obligations to The AE Clearinghouse.

flat

An open position whose open interest has been reduced to zero via an offsetting trade, expiration, Force-Netting, Force-Liquidation, or Force-Settlement. Last Amended AE Circular 005, Dec 22, 2004

Force-Liquidation

The actions of The AE Clearinghouse to close the open positions of the Omnibus Trading Account of a Failed Obligation Member Firm, by submitting Limit Orders on The Actuarials Exchange, priced at the settlement basis of the Failed Obligation mark, plus, only if available and only if necessary, a subsidy tick value.

Force Majeure

An Act of God, Government, War, or Terror, or some other devastating consequence, that prevents the continued operations of The Actuarials Exchange, The AE Clearinghouse, or Fedwire systems.

Force-Net

The combining of all funds, and the netting of open positions on a per-Contract basis according to the settlement price of the Failed Obligation mark, of all Trading Accounts of a Failed Obligation Member Firm. Force-Netting takes place after all funds and open positions of the Failed Obligation Member Firm are transferred from the original Trading Accounts to the Omnibus Trading Account.

Force-Settled lots

The lots of open positions that were closed during Force-Settlement.

Force-Settlement

The actions of The AE Clearinghouse to assign a final price and counterparty side to close the open positions of a Failed Obligation Member Firm. All open positions are Force-Settled according to the settlement price of the Failed Obligation mark.

free cash

The amount of positive Available Balance in a Trading Account, as measured by The AE Clearinghouse after a mark or a triggered event, or, as measured by the Electronic Tracker, in real-time.

funding requirements

The amount of money that must be furnished by a Member Firm to satisfy a margin call. A Member Firm may satisfy funding requirements by wiring an exact-to-the-penny margin payment, or, alternatively, by closing out open positions, thereby creating realized profits or freeing up initial margins, or, by canceling pending orders, thereby freeing up pre-reserves, or, by canceling a withdrawal request, thereby re-applying withdrawn funds, or, by drawing funds from a Default Protection Facility.

Futures Commission Merchant, or FCM

Individuals, associations, partnerships, corporations and trusts that solicit or accept orders for the purchase or sale of any commodity for future delivery on or subject to the rules of any exchange, and that accept payment from or extend credit to those whose orders are accepted. Any FCM participating on The Actuarials Exchange as a Member Firm must be a qualified eligible contract participant (QECP) of a certain size, and ensure that all Trading Accounts under its domain are also QECPs.

General Clearing Fund Bank Account

The physical bank account at The AE Clearinghouse payment bank that includes any of the following funds collected by The AE Clearinghouse: accrued interest on collateral, any fines or fees collected by The AE Clearinghouse, and any derivatives or insurances that result in payoffs to The AE Clearinghouse upon a Contracted observation of a market, credit, or collateral event, all serving as clearinghouse equity.

“good” mark

A mark upon which all funding requirements have been fully satisfied by all Member Firms. The last “good” mark serves as the basis for measuring Total Risk Capital of any prospective Failed Obligation Member Firm.

good-standing

The state of any institution whose reputation is positively recognized in the finance industry.

Good-Standing

The state of a Member Firm that has continuously satisfied all of its funding requirements to The AE Clearinghouse.

Good-Standing Notice

The statement contained in a margin notice indicating that a Member Firm has sufficient funding deposited with The AE Clearinghouse to satisfy its funding requirements.

good till canceled, or GTC

Orders that persist from day to day until cancelled, or expired, by an Authorized Trader, or an Authorized Support Person. Limit orders at The Actuarials Exchange are considered “good till cancelled.”

heavyside calculation

For each Contract where a Trading Account is active, adding the lots from pending orders to buy, plus the lots of any long open position, then, separately adding the lots from pending orders to sell, plus the lots of any short open position. The greater of these two sums is multiplied by the initial margin requirement to determine the initial margins pre-reserved by the Electronic Tracker for that Trading Account. A heavyside calculation always takes place when a new pending order is submitted to the exchange, except with new pending Market Maker strips, where pre-reserves are not held until a fill occurs.

incoming order

An order that has been placed on The Actuarials Exchange with the purpose of being matched to an existing resident order on the exchange.

initial margin requirement

The amount of money required to open a new position in a Contract marketplace, on a lot-by-lot basis.

initial margins

The product of the initial margin requirement and the number of lots in an open position for a given Contract, as adjusted further by heavyside calculations. Initial margins of pending orders are preserved by the Electronic Tracker. Initial margin requirements are specified in the official AE Circular.

Insufficient Funds

The status of a Member Firm, as recognized in real-time by The AE Clearinghouse, that has at least one Trading Account with a negative Available Balance. When a Member Firm reaches this state, an **Insufficient Funds trigger** is activated, an **Insufficient Funds triggered event** is observed, and an **Insufficient Funds Margin Notice** containing an **Insufficient Funds Margin Call** is issued to the **Insufficient Funds Member Firm**.

intermark price limit

From one mark to another, the maximum allowable change in settlement price for a specified Contract, as provided in RoPES. Last Amended AE Circular 005, Dec 22, 2004

investment-grade rating

A long-term debt rating higher than speculative grade, as assigned by commercial credit rating agencies. Member Firms must be qualified eligible contract participants whose credit or counterparty rating is investment-grade, and is recognized as having at least one nationally recognized credit rating agency, and, not one that is below investment-grade. Last Amended AE Circular 005, Dec 22, 2004

Judgment

A determination regarding claims made by the officers of The Actuarials Exchange and The AE Clearinghouse through established arbitration processes.

Keepsafe Bank Account

An AE Clearinghouse Payment Bank Account that holds any draws from the Default Protection Facility made by The AE Clearinghouse under the automatic recourse procedure.

last price

The most recent price for which a Contract has been traded.

Late Payment

The status of a Member Firm that has not satisfied its funding requirements within one hour of a margin call. When a Member Firm reaches this state, a **Late Payment trigger** is activated, a **Late Payment triggered event** is observed, the **Late Payment Member Firm** receives a **Late Payment fine**, and a **Late Payment Margin Notice** containing a **Late Payment Margin Call** is issued to the Late Payment Member Firm.

LDN

London business time, a standard time of The Actuarials Exchange, not to be confused with Greenwich mean time.

ledger account

An accounting subdivision of a physical bank account at The AE Clearinghouse payment bank. Ledger accounts track the collaterals, margins, fees, fines, and realized and unrealized profits and losses of Trading Accounts.

Lien

The right of The AE Clearinghouse to retain lawful possession of the collaterals of a Member Firm until the Member Firm fulfills a legal obligation to The AE Clearinghouse.

limit bid

The maximum price that can be entered to buy, and at which any Contract can be matched, during a trading session. Last Amended AE Circular 005, Dec 22, 2004

limit offer

The minimum price that can be entered to sell, and at which any Contract can be matched, during a trading session. Last Amended AE Circular 005, Dec 22, 2004

limit price order, or limit order

An order to buy or sell at a fixed price or better, which can be matched against an eligible order on the other side, with an acceptable price.

long

An open position in a derivatives Contract that has already been bought, which needs to be sold off in an equal number of lots to be flattened and “closed out.” Last Amended AE Circular 005, Dec 22, 2004

long position

A position in a Trading Account where the overall lots bought is greater than those sold in the same Contract.

lot

The smallest unit of a Contract at The Actuarials Exchange.

margin call

A statement in a margin notice, sent by The AE Clearinghouse to a Member Firm, requesting the exact-to-the-penny funds needed to satisfy the Available Balance shortfalls of all Trading Accounts in deficit under the domain of that Member Firm.

margin notice

The transmitted message from The AE Clearinghouse to a Member Firm following every scheduled or unscheduled mark, containing either a Good-Standing notice or a margin call, depending on whether the Available Balance of the Trading Account can satisfy the net change in funding requirements from the previous mark to the current mark.

margin payment

A deposit made by a Member Firm to satisfy the funding requirements of a margin call, exact-to-the-penny. The funding requirements requested by a margin call can also be satisfied by voluntarily closing open positions, canceling pending orders, or recalling withdrawals.

mark

A scheduled or unscheduled “snapshot” of all marketplace prices and positions at a particular time and date, whose information serves as both the basis for the Mark Reports that are distributed to all Member Firms, as well as one of the price settlement bases in the automatic recourse procedure. Last Amended AE Circular 005, Dec 22, 2004

mark-by-indication

A method of establishing a price settlement basis in a Contract marketplace deemed by The AE Clearinghouse to be illiquid, via observation of the latest indicated price, as provided in RoPES. Last Amended AE Circular 005, Dec 22, 2004

mark-to-market

A method of establishing a price settlement basis in a Contract marketplace deemed by The AE Clearinghouse to be liquid, via observation of the last trade price, as provided in RoPES. Last Amended AE Circular 005, Dec 22, 2004

mark-to-model

A method of establishing a price settlement basis in a Contract marketplace deemed by The AE Clearinghouse to be illiquid, via observation of the latest modeled price, as provided in RoPES. Last Amended AE Circular 005, Dec 22, 2004

marketplace

At The Actuarials Exchange and The AE Clearinghouse, a separate, self-contained risk pool of segregated open interest, for the same delivery specification of a unique product specification of a financial instrument, for which individual Contracts are traded. Last Amended AE Circular 005, Dec 22, 2004

Market Maker

A Member Firm that provides liquidity to the exchange by posting a guaranteed number of lots on both sides of a custom spread for a specified set of Contracts.

market order

A buy or sell order in a Contract to be filled at the best limit price provided by the other side, when the order is received and then released by The Actuarials Exchange. If there is no limit price at the time of release provided by the opposite side, the order is immediately rejected.

market participant

A qualified eligible contract participant, operating in the capacity of either a Trading Account or a Member Firm, at The Actuarials Exchange.

Mark Report

The report issued by The AE Clearinghouse following every scheduled or unscheduled mark, serving as the settlement basis of Contract marketplace prices and positions held by Trading Accounts as of that mark. The Mark Report shall contain information on Contract positions, margins, pre-reserves, and realized and unrealized profits and losses for each Trading Account. Sometimes called a “Mark-to-Market” report.

Last Amended AE Circular 005, Dec 22, 2004

match

The pairing of lots from buy and sell orders, taking place when an eligible “incoming” order is first matched against any orders on the opposite side having the best price with the earliest time-stamp.

matched trade

The pairing of lots from buy and sell orders that together constitute a trade.

matching venue

A place where eligible bids and offers of certain Contract can be matched on The Actuarials Exchange, within a certain Contract marketplace. Unrestricted competitive bids and offers can be matched On-Market, restricted competitive bids and offers can be matched Off-Market. Trades executed on a matching venue outside of The Actuarials Exchange, but cleared later at The AE Clearinghouse, are considered to be Off-Exchange. \

Member Firm

An eligible contract participant managing one or more Trading Accounts on The Actuarials Exchange and The AE Clearinghouse, whose Trading Accounts also represent eligible contract participants.

Member Firm Administrator

An Authorized Support Person that is appointed by the Designated Representative of a Member Firm to perform administrative functions on the exchange.

Member Firm Signature Forms

The documents that must be completed and signed by an organization to apply to become a Member Firm on The Actuarials Exchange and at The AE Clearinghouse.

Member Firm payment bank account

A valid bank account of a Member Firm that makes deposits to The AE Clearinghouse Concentration Account at the payment bank of The AE Clearinghouse, or receives withdrawals from the Withdrawal Holding Bank Account of The AE Clearinghouse. Money transfers between physical bank accounts are time-stamped and tracked by the Fedwire system. A Member Firm must have at least one payment bank account, though The AE Clearinghouse encourages Member Firms to maintain payment bank accounts with at least two payment banks in case of emergencies or operational difficulties.

minimum account balance

The smallest amount of free cash that a Trading Account must maintain at the Clearinghouse Concentration Bank Account to continue trading on The Actuarials Exchange.

Minimum Capital Requirement

A condition of participation imposed by the CFTC in the Commodity Futures Modernization Act of 2000, whereby any institution transacting business on an exempt board of trade must have at least ten million dollars in assets.

mutual exposure ratio

A percentage determined during the automatic recourse procedure that fairly determines the distribution of lots to be Force-Settled between a Failed Obligation Member Firm and the counterparties to the Force-Settlement.

mutually-exposed contra

A Trading Account whose open position is opposite that of a Failed Obligation Member Firm, and possibly vulnerable to Force-Settlement.

net balance

The aggregate sum of all funds of all Trading Accounts under the domain of one Member Firm, after all open positions in Contracts have been closed out. The net balance of a Member Firm is measured after the Force-Commingling phase of the automatic recourse procedure.

net change in funding requirements

Any change in the amount of money that must be furnished by a Member Firm to satisfy monetary obligations to The AE Clearinghouse.

net position

A null, long, short, or flat position in a single Contract.

notice

A transmitted message from The Actuarials Exchange or The AE Clearinghouse to a Member Firm regarding a material event, or regarding ongoing trading, clearing, or supporting operations.

Novation

The legal obligation of The AE Clearinghouse to satisfy all trade obligations of the AE Risk Pool within each Contract marketplace, by substituting itself as a central counterparty between Member Firms representing the original Trading Accounts entering trades.

null

A position for which there has never been open interest in a Contract.

Off-Exchange

A trading venue apart from any On-Market or Off-Market matching venue at The Actuarials Exchange. An Off-Exchange trade might consist of an OTC agreement between counterparties who “give up” their names, or a mutual agreement between counterparties to “bust” a trade executed at The Actuarials Exchange. Certain qualifying Off-Exchange trades may be cleared by The AE Clearinghouse, and then immediately incorporated into the open interest of a Contract marketplace within the AE Risk Pool.

Off-Market

A trade executed at a matching venue of restricted competitive bids and offers, in response to an RFP for a Block Trade in a certain Contract marketplace at The Actuarials Exchange.

Off-Market Block Order

A limit price order submitted for an exact number of Contract lots above a certain minimum, to be filled on an “all-or-none” basis, at an Off-Market matching venue at The Actuarials Exchange.

offer

1. An order to sell one or more lots of a Contract at The Actuarials Exchange, either at the prevailing market price, or, at a specified limit price or higher.
2. The posted price of a limit price sell order.

offset

Selling a certain number of lots to cover a long position, or buying back a certain number of lots against a short position.

Omnibus Trading Account

The sole Trading Account under the domain of a Failed Obligation Member Firm during the automatic recourse procedure, which serves as a repository for the Force-Netted open positions and Force-Netted funds of all Trading Accounts previously under the domain of that Failed Obligation Member Firm. The Omnibus Trading Account is controlled by The AE Clearinghouse.

OmniGlossary

The legal definitions of all terms found within the Quartet of legally-binding documents, preceded by the AE Rules, The AE Clearinghouse Terms, Conditions, and Procedures, and the Rules of Products and Electronic Services (RoPES).

On-Exchange

A trade executed at a matching venue of The Actuarials Exchange, either On-Market or Off-Market.

On-Market

A trade executed at a matching venue of unrestricted competitive bids and offers, in a certain Contract marketplace at The Actuarials Exchange.

open

To create a new long or short position, or, to extend an existing long or short position.

open interest

The total longs and total shorts held by *all* Trading Accounts at The AE Clearinghouse in the same Contract marketplace. In the special case of ascertaining Concentration Risk, the total longs and total shorts held by *all* Trading Accounts at The AE Clearinghouse for a related set of Contract marketspaces with correlated pricing behaviors, or having similar product or delivery specifications.

open lots

Lots that are long or short and are not yet closed out.

open position

Lots in a Trading Account that have been bought long or sold short, and whose lots have not yet been closed out by either an offsetting trade, an expiration, Force-Netting, Force-Liquidation, or Force-Settlement.

Last Amended AE Circular 005, Dec 22, 2004

open position lots

The total longs and total shorts held by *a certain selection* of Trading Accounts at The AE Clearinghouse in the same Contract marketplace. In the special case of ascertaining Concentration Risk, the total longs and total shorts held by *a certain selection* of Trading Accounts at The AE Clearinghouse for a related set of Contract marketspaces with correlated pricing behaviors, or, having similar product or delivery specifications.

opening price

The price of the first trade taking place during the opening session. If no such trade takes place, the last trade price of the previous session is used as the opening price. Last Amended AE Circular 005, Dec 22, 2004

opening range

The continuum between the highest and lowest prices of all trades taking place during the opening session.

order

A trade proposal to buy or sell a number of lots of a Contract at a specified price, submitted to the Actuarials Exchange.

Ordered List of Contracts

The sequence by which Contracts, or open positions associated with Contracts, are processed, one-at-a-time, under procedures established by the Quartet of legally-binding documents.

payment bank

A bank used by a Member Firm or The AE Clearinghouse to satisfy funding requirements via money wire events.

pending order

Any order that has been accepted into The Actuarials Exchange, whose total number of lots are not yet filled, expired, rejected, or cancelled.

persisting order

A limit price order that survives rejection, and remains available for matching as a resident order on the AE System until filled, expired, or cancelled. Persisting orders may be limit price orders, including RFP Responses, Off-Market Block Orders, and Market Maker strips.

Plea for Reversal

The request of a Member Firm to the Authorized Compliance Officer to “bust” an executed trade with an anonymous counterparty.

position limit

The maximum number of lots in an open position in one direction, that a Trading Account can hold in a related set of Contracts, as specified in the RoPES.

position

A long, short, flat, or null interest in any Contract.

pre-reserve

When an order is submitted to The Actuarials Exchange, collaterals in the Available Balance of a Trading Account are debited in real-time by the Electronic Tracker of The Actuarials Exchange, to ensure that required initial margins and fees for a prospective open position are always furnished to The AE Clearinghouse, before being submitted.

price limit

A price level which represents the maximum amount any Contract price can fluctuate up or down from the settlement price of the most recent mark, during any one trading session, as established by the Actuarials Exchange. The exact limits for any Contract shall be found in the RoPES chapter pertaining to that Contract.

Last Amended AE Circular 005, Dec 22, 2004

process of qualification

The fulfillment of steps to attain Member Firm status.

qualified eligible contract participant (QECP)

An eligible contract participant, or ECP, as defined by the Commodity Futures Modernization Act of 2000, that is qualified to trade on The Actuarials Exchange, and to clear through The AE Clearinghouse, as a Member Firm, or, alternatively, as a Trading Account at a Member Firm.

Quartet of legally-binding documents, or Quartet

A set of four legally-binding documents, governing the behaviors of The Actuarials Exchange, The AE Clearinghouse, and Member Firms on the AE System: firstly, the AE Rules; secondly, The AE Clearinghouse Terms, Conditions, and Procedures; thirdly, the Rules for Products and Electronic Services (RoPES); and fourthly, the OmniGlossary.

realized profit and loss

The difference between the price at which sell orders have been sold, and the price at which buy orders have been bought, for recently closed positions. Realized profits are always added to, and realized losses are always subtracted from, the Available Balance of a Trading Account. In contrast, unrealized profits are *never* added to the Available Balance of a Trading Account. Unrealized losses are always subtracted from the Available Balance of a Trading Account.

the Recourse

See automatic recourse procedure.

Recovery

Any pennies-to-the-dollar recoup of owed realized profits, or owed unrealized profits, in the automatic recourse procedure.

registered

An Off-Exchange submission of an order that has been submitted to the exchange, and has yet to be deemed accepted or not accepted by The AE Clearinghouse.

Regulators

Any governmental or industry authority having jurisdiction over a qualified eligible contract participant acting as a Member Firm or Trading Account at The Actuarials Exchange or The AE Clearinghouse. In the United States, the sole regulator of The Actuarials Exchange and The AE Clearinghouse is the CFTC.

rejected order

A market order for a Contract that has been entered into the AE System, but not immediately filled, and unable to merit further consideration at The Actuarials Exchange for future matching. A rejected order is thus “rejected for further matching consideration.”

Request For Price (RFP)

A request to any market participant to provide a custom bid/ask spread for a specified Contract for a specified number of lots. Last Amended AE Circular 005, Dec 22, 2004

Request For Price Response, or RFP Response

A custom bid/ask spread that is posted to satisfy a market for a specific Request For Price.
Last Amended AE Circular 005, Dec 22, 2004

resident order

A limit price order for a Contract that has been accepted into the AE System, which persists in the Contract marketplace to be matched against eligible “incoming” orders, until filled, expired, or cancelled.

restricted

Limitations on Member Firm activities, due to a failure to comply with the Quartet of legally-binding documents..

Rules of Products and Electronic Services (RoPES)

The third part of the Quartet of legally-binding documents, preceded by the AE Rules, and AE Clearinghouse Terms, Conditions, and Procedures, and followed by the OmniGlossary.

servicing agent

A company or other entity that provides services to The Actuarials Exchange or The AE Clearinghouse.

settlement price

A figure, based on a market or reference price, that is used to calculate Contract gains and losses in Trading Accounts, as of the current mark.

settlement

A daily historical record of the market or reference prices observed at every mark for Contracts at The Actuarials Exchange.

short

An open position in a derivatives Contract that has already been sold, which needs to be bought back in an equal number of lots to be flattened and “closed out.” Last Amended AE Circular 005, Dec 22, 2004

short position

A position in a Trading Account where the overall lots sold are greater than those bought in the same Contract.
Last Amended AE Circular 005, Dec 22, 2004

side

In a matched trade, one of two roles, either that of a buyer acting to buy, or, that of a seller acting to sell.

Start Trading Day

The time of day when The Actuarials Exchange starts matching orders. The Trading Day starts after Begin Business Day, and finishes before End Business Day.

statutory disqualification

A statutory disqualification pursuant to Section 8a(3) of the Commodity Exchange Act or an order of similar effect under any other applicable federal, state or local law.

Subsidized Force-Liquidation

The actions of The AE Clearinghouse to close out the open positions of the Omnibus Trading Account of a Failed Obligation Member Firm, by submitting Fill and Kill orders on The Actuarials Exchange, priced at the settlement basis of the Failed Obligation mark, plus a series of escalating subsidy tick values, as determined by the automatic recourse procedure.

Subsidy

Any improvement in tick value to the settlement price of the Failed Obligation mark, that is attached to a Force-Liquidated position of the Omnibus Trading Account of the Failed Obligation Member Firm.

Terms, Conditions, and Procedures

See AE Clearinghouse Terms, Conditions, and Procedures.

Three Levels of Capital Protection

Three types of funding that are available to absorb market and credit risks at The AE Clearinghouse: 1) the total risk capital of the Failed Obligation Member Firm, 2) the Default Protection Facility of the Failed Obligation Member Firm, and 3) any moneys in the General Clearing Fund. Last Amended AE Circular 005, Dec 22, 2004

tick

The smallest allowable increment of price movement allowed for a Contract during a trading session, specified for each financial instrument in RoPES.

time-stamp

The imprint of date and time for any business transaction at The Actuarials Exchange or The AE Clearinghouse.

Total Account Balance

The sum of collaterals deposited into a Trading Account that fund transactions, positions, and the minimum account balance at The Actuarials Exchange.

Total Risk Capital

The sum of all Total Account Balances of all of the Trading Accounts under the domain of a Member Firm, measured at the last good mark, that is, at the last mark upon which all funding requirements were fully satisfied by all Member Firms. Total Risk Capital is the first of three levels of capital protection provided to The AE Clearinghouse against Member Firm Default.

trade

The acceptable matching of an incoming order to a resident order on the other side having the best price with the earliest time-stamp, by pairing a single lot of the incoming order to each single lot of the resident order, within a given Contract marketplace.

Trading Account

A Member Firm ledger account with its own open positions on The Actuarials Exchange. A Member Firm is fully responsible for any and all trading activities, positions, and obligations of its Trading Accounts. The assets of a Trading Account must be owned by a qualified eligible contract participant, and also placed under the control of a qualified eligible contract participant, where such participants can be the same Person or different Persons.

trading facility

A physical or electronic system where market participants may place or cancel orders, or execute trades.

trigger

A condition that results in The AE Clearinghouse taking one of several prescribed courses of action against individual Member Firms. There are Concentration Risk triggers, Distressed Member Firm triggers, Insufficient Funds triggers, Late Payment triggers, Failed Obligation triggers, and Default triggers.

triggered event

The observation, by the Authorized Compliance Officer, of one of several Member-Firm specific events following the activation of a trigger. There are Concentration Risk triggered events, Distressed Member Firm triggered events, Insufficient Funds triggered events, Late Payment triggered events, Failed Obligation triggered events, and Default triggered events.

ultra vires activities

Actions by employees or agents that are beyond the recognized legal powers of employees or agents.

unrealized profit and loss

The difference between the average cost basis of an open position, and the last price, as measured in real-time by the Electronic Tracker of The Actuarials Exchange, or, as measured at the mark by the exchange and then transmitted to The AE Clearinghouse. Unrealized profits are withheld, and not added to the Available Balance of the Trading Account until their underlying open positions are closed out, and are thereby converted into realized profits. Unrealized losses are immediately subtracted from the Available Balance of the Trading Account.

variation margin

A calculation of the difference between the average cost basis of an open position, and the price of the last trade before the mark, without crediting unrealized profits, for a Trading Account. Variation margins are drawn from the Available Balance of the Trading Account in real-time by the Electronic Tracker.

voluntary deposit

A single infusion of capital by a Member Firm into The AE Clearinghouse Concentration Account, to be credited to only one Trading Account. A voluntary deposit constitutes a single Fedwire event. Last Amended AE Circular 005, Dec 22, 2004

voluntary liquidation

The closing out of open positions by the Trading Account(s) of a Late Payment Member Firm, whose trading activities are otherwise restricted by The AE Clearinghouse.

withdrawal

A single extraction of collateral, made by a Member Firm on behalf of one and only one Trading Account, from the Clearinghouse Concentration Bank Account. Withdrawals spend two (2) days in the Withdrawal Holding Bank Account before being paid to the Member Firm payment bank.

withdrawal request

A request, by a Member Firm, to extract collaterals, on behalf of one and only one Trading Account, with the approval of The AE Clearinghouse and the Default Protection Facility. The withdrawal process by which withdrawal requests involves a two (2) day holding period for any withdrawn funds.

Withdrawal Holding Bank Account

The physical bank account at The AE Clearinghouse payment bank that holds and pays out withdrawals of individual Trading Account collaterals to Member Firms.